



**DATE:** May 23, 2017

**TO:** Mayor and Council

**FROM:** Director of Library and Community Services

**SUBJECT** Joint Work Session with the Community Services Commission: Discussion of Goals and Areas of Focus for Community Agency Funding in Future Years

## **RECOMMENDATION**

That Council reviews and comments on this report and the accompanying presentation from the Community Services Commission Funding Process Update Committee.

## **SUMMARY**

Council's direction and guidance is sought regarding the desired goals and areas of focus for Community Agency Funding of projects and services that support low-income Hayward residents. This report contains a summary of the Community Services Commission's past work developing and recommending Community Agency Funding process options for Council's consideration, and requests additional input from Council about the desired process in advance of the FY 2019 funding cycle which will commence in September 2017. To that end, the Community Services Commission Funding Process Update Committee has prepared a presentation to Council to generate discussion about goals and outcomes for the funding process. The presentation will be delivered by the Committee at this meeting.

## **BACKGROUND**

In 2016 at the direction of Council, the Community Services Commission formed a Funding Process Update Committee (the Committee) to discuss options for potential revisions to the Community Agency Funding Process. The Committee identified four options for further exploration, eventually focusing on one recommended option which came to be known as the "hybrid model." The Community Services Commission unanimously voted in favor of the recommended "hybrid model" option, and the Committee presented the recommended option to Council in a work session on [October 18, 2016](#). After a robust discussion, and in recognition that the FY 2018 funding process needed to begin shortly thereafter, Council deferred a decision on the recommendation at that time. It was noted that the Community Services Commission would be consumed with their funding process from that point forward until

April 2017, and that the Committee would not have time to develop any new process recommendations during that period. With that timeframe in mind, Council deferred further discussion on the topic until May 2017, after the FY 2018 funding process was complete, at which time a joint work session with the Committee would be convened with the goal of engaging in a deeper dialogue about the vision and goals for the process prior to settling on a new process or funding model. This report offers a reminder of where the conversation left off at the October work session, and some questions to prompt this renewed conversation.

### Community Agency Funding Process

The City for many years has annually allocated funds toward eligible projects and activities that serve low-income Hayward residents. Funding for these activities in recent years typically has come from two primary sources: the City's General Fund and the Community Development Block Grant (CDBG) special revenue fund. The General Fund appropriations typically have been focused toward service-based activities including arts & music programs, health and wellness services, food access programs, services to homeless people, information and referral services, legal support and counseling services, youth and family services, and related social services programs. The CDBG special revenue fund appropriations typically have been focused toward project-based activities including community infrastructure projects, housing preservation and rehabilitation projects, job creation and retention projects, economic development activities, blight abatement projects, programs for special needs populations, and other CDBG-eligible project activities.

The majority of the programs and activities funded with the above two primary sources are performed by external nonprofit organizations selected through the Community Agency Funding process who perform their work under contract on the City's behalf. A small number of projects and activities—primarily those which use administratively complex CDBG funds—are performed directly by the City for the benefit of low-income Hayward residents.

The County of Alameda has primary responsibility for the provision of health and social services to low-income residents, and provides a wide range of social services and housing and homelessness-related programs throughout the County, including in Hayward. The City of Hayward, long known for its compassion and commitment to the upliftment of low-income residents, for many years has chosen to augment the County's social services and housing-related efforts through the commitment of additional, locally-targeted municipal resources to assist these residents.

### CSC Funding Process Update Committee

In 2016 at the direction of Council, the Community Services Commission formed a Funding Process Update Committee (the Committee) to discuss options for potential revisions to the Community Agency Funding Process. The Committee at that time was comprised of the following Community Services Commissioners: Antonio Isais (Committee chair), Julie Roche, Lisa Glover-Gardin, Todd Davis, Crystal Araujo, and Diane Fagalde (alternate).

The Committee convened on multiple occasions in 2016. The Committee reviewed and discussed Areas of Need in the Hayward community for programs and projects that serve Hayward residents, especially low-income residents, and identified several potential Target Categories for further review and development. The Committee also developed options for targeting the available funding over multiple years to maximize impact in focused areas. After much discussion and analysis of data, including feedback and suggestions offered by Community Services Commission (CSC) members, City Council members, and members of the public about the topic during the previous three years of funding cycles, the Committee identified four options for further exploration, eventually focusing on one recommended option which came to be known as the “hybrid model.”

The Committee presented the recommended “hybrid model” option to Council in a work session on [October 18, 2016](#). Council deferred a decision on the recommendation at that time, and requested a joint work session with the Committee after the conclusion of the FY 2017-18 Community Agency Funding process, with the goal of engaging in a deeper dialogue about the vision and goals for the process prior to settling on a new process or funding model.

In subsequent months, the Committee reconvened to further develop funding process considerations and to create the presentation for this meeting. The Committee’s membership has changed slightly, and is now comprised of the following Community Services Commissioners: Ray Bonilla (CSC Chair), Antonio Isais (Committee Chair), Todd Davis, Crystal Araujo, and Diane Fagalde (alternate). An overview of the Committee’s updated recommendations is provided below in the Discussion section.

### *CDBG Biennial Review Update*

In 2015, HUD and City staff conducted a comprehensive reconciliation of the City of Hayward CDBG program going back to its inception in 1974. As a result of that review, several recommendations were made by HUD for utilizing unspent funds on new projects, closing out inactive projects, revising the City’s CDBG program policies, and returning funds to the City’s CDBG/HUD line of credit.

After the completion of the 2015 reconciliation process, staff instituted a biennial (every two years) comprehensive review of unspent and underspent CDBG projects, to ensure that future reconciliations would not show a large accumulation of funds. Staff is presently conducting the first biennial review to identify fund balance that potentially could be made available to use for one-time CDBG-eligible projects. The 2017 review will include fund encumbrances from previously allocated projects that spent less than allocated (for example construction-related projects that were completed under budget) and which can be released, thus freeing up the funds for other uses; and calculations of unanticipated program income received from past loans made by the City, some decades old, that recently were repaid by the borrowers (for example, from small business assistance program loans and housing rehabilitation program loans).

CDBG regulations stipulate that any one-time funds may only be reallocated to eligible “Community Infrastructure, Jobs and Economic Development” categorical projects such as affordable housing development, housing rehabilitation and preservation, community facility rehabilitation, blight removal and abatement, economic development and job creation, and pavement reconstruction, among others. These funds may not be used for “Public Services” projects. As always with CDBG-funded projects, any activities must directly benefit low-income residents and neighborhoods and must meet HUD’s National Objectives for the CDBG program.

Staff is presently in the process of finalizing the 2017 biennial review, and will present the initial results to Council along with recommendations for the use of any one-time funds on June 27, 2017.

## **DISCUSSION**

### *Council Strategic Initiatives*

Council recently identified three major Strategic Initiatives to guide and focus the City’s work towards accomplishing the Council’s existing priorities of Safe, Clean, Green, and Thrive. These include Complete Streets, Complete Communities, and the Tennyson Corridor.

The Committee recognizes the importance and value of the Strategic Initiatives, and finds them to be a helpful focal point for the present discussions about the goals and outcomes of the Community Agency Funding process. Considering the clear vision Council has established through the three Strategic Initiatives, and in light of the limited available resources to fulfill the goals contained therein, the Committee recommends that the three Strategic Initiatives be used as a guide and that the Community Agency Funding process be aligned with the goals and outcomes set forth in the Strategic Initiatives’ two-year action plans. Some Council Committees have reviewed preliminary drafts of these action plans and the final action plans will be presented to Council on June 13, 2017.

### *CSC Recommended Target Categories / Areas of Need*

The Committee identified seven “areas of need” as potential “target categories” for City funding recommendations, all of which can be aligned with the three Strategic Initiatives. These categories were identified through a review of the types of programs and projects that are: a) most commonly awarded City funding over the past ten years; b) identified as priorities in recent years of CSC and Council discussions of community needs; and, c) eligible for funding per CDBG and Social Services program guidelines and regulations.

Figure 1. CSC recommended target categories / areas of need

| <b>RECOMMENDED TARGET CATEGORIES/ AREAS OF NEED*</b> |                                                            |
|------------------------------------------------------|------------------------------------------------------------|
| ○                                                    | Community Infrastructure, Jobs, and Economic Development** |
| ○                                                    | Homelessness, Housing Affordability, and Food Access**     |
| ○                                                    | Seniors, and People with Disabilities                      |
| ○                                                    | Youth, Family, and Education                               |
| ○                                                    | Health and Wellness                                        |
| ○                                                    | Arts, Music and Culture                                    |
| ○                                                    | Counseling, Referral, Case Management, and Legal Services  |

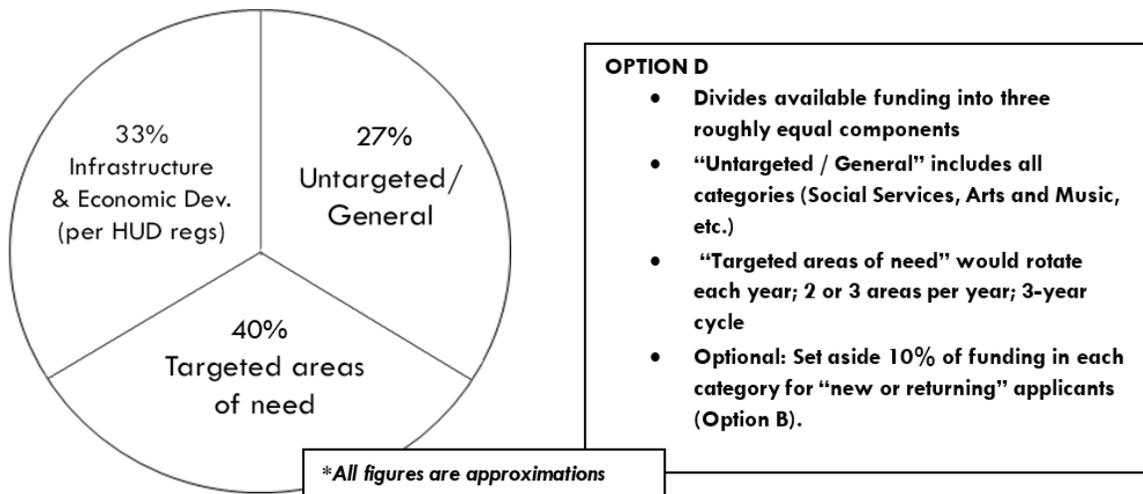
\* All categories assume eligible low-income Hayward resident clients  
 \*\* Category required by HUD

CSC Recommended Option for Apportionment of Available Funds – The “Hybrid Model”

The Committee reviewed the effectiveness of the current funding process and apportionments, and considered alternatives. What follows is an overview of the Committee’s recommended option, “The Hybrid Model”, which the full Community Services Commission unanimously voted to recommend to Council on September 21, 2016. This option was subsequently presented to Council on October 18, 2016.

The recommended “Hybrid Model” combines advantages and provides a transitional period for applicants to adapt to a new process. It provides for some of the available funding, approximately 27% of the total, to be made available for general applications in all categories as is the case in the current process. It focuses some funding, approximately 40% of the total, on targeted areas of need to achieve greater impact, on a rotating basis over two or three years to ensure that all areas periodically receive this heightened attention and focus. The remaining approximately 33% is used toward programs and projects in the Infrastructure and Economic Development category as required by HUD.

Figure 2. CSC recommended option for apportioning community agency funding



Advantages of “The Hybrid Model” include: it continues to provide annual funding opportunities to all applicants and all projects and programs in all categories; it focuses a significant portion of funding on priority categories to achieve greater impact; it provides specificity for applicants regarding which projects or programs are likely to be prioritized for City funding in a given year, as well as two or three years in advance; all categories receive “priority” consideration in at least one of every three years; it allows for more in-depth evaluation of proposals during the review and deliberation process; it maintains the flexibility to provide funding to projects of interest regardless of whether they fall within a “priority category” in a given year; and it provides currently funded agencies time to adjust and transition to a new process.

Disadvantages of “The Hybrid Model” include: The amount of funding available to be focused on priority areas of need for greater impact, while still significant, is less than if all funding were targeted to one area; it reduces the total amount of funding available in some categories in years when those categories are not identified “priority categories”; while not as much of a change as other options would have brought, it is still a substantive change from the current process and could be met with resistance from community members including potentially from some long time recipients of City funding; and, it does not in itself fully address concerns about the same applicants and programs receiving funding year after year.

CSC Proposed Three Year Schedule of Target Categories

The Community Services Commission proposes the following schedule for rotating the “target areas of need” categories in a three-year cycle. Note that all categories are still represented and considered for funding in every year. The rotation occurs in respect to Target Areas of Need only.

*Figure 3. Proposed Target Areas of Need and Three-Year Targeting Cycle*

| PROPOSED TARGET AREAS OF NEED *                               |                                              | FY 2019    | FY 2020    | FY 2021    |
|---------------------------------------------------------------|----------------------------------------------|------------|------------|------------|
| 1. Community Infrastructure, Jobs, and Economic Development** | General category applications                | 3, 5, 7, 8 | 4, 5, 6, 8 | 3, 6, 7, 8 |
| 2. Homelessness, Housing Affordability, and Food Access**     |                                              |            |            |            |
| 3. Seniors, and People with Disabilities                      | “Target areas of need” category applications | 2, 4, 6    | 2, 3, 7    | 2, 4, 5    |
| 4. Youth, Family, and Education                               |                                              |            |            |            |
| 5. Health and Wellness                                        |                                              |            |            |            |
| 6. Arts, Music and Culture                                    |                                              |            |            |            |
| 7. Counseling, Referral, Case Management, and Legal Services  |                                              |            |            |            |
| 8. Other (none of the above) *                                | HUD-required Infrastructure/Jobs category    | 1          | 1          | 1          |

\* All categories assume eligible low-income Hayward resident clients  
 \*\* Category required by HUD every year

Staff and the Community Services Commission seek additional feedback and guidance from Council about the above recommended “Hybrid Model” and rotation schedule, in advance of the FY 2019 funding cycle.

*Outline of Committee’s Additional Guiding Questions*

The Committee formed a series of additional guiding questions for Council to consider in advance of this meeting.

***Question 1. Should the Community Agency Funding process be aligned with Council’s three Strategic Initiatives (Complete Streets, Complete Communities, and Tennyson Corridor)?***

- I. Council’s Three Strategic Initiatives
  - a. Complete Streets
  - b. Complete Communities
  - c. Tennyson Corridor Project
  
- II. How does Council see this coming together?
  - a. Can Council explain how they arrived at the new initiatives?
  - b. What does success look like for these Strategic Initiatives?
  - c. How would Council define successful Community Services Commission funding process outcomes aligned with these Strategic Initiatives?

***Question 2. How does Council want the FY 2019 funding process to be aligned to maximize the strategic impact of the limited available resources?***

- I. Best Practices / Benchmarks
  - a. How (or should) we incorporate trending community issues into the funding process?
  - b. What other partners potentially have a role to play in supporting services to low-income Hayward residents?
  - c. What best practices or benchmarks are most valuable for defining and measuring success?
  - d. How do we avoid “mission creep”?
  - e. How do we measure if we are meeting the priorities?

***Question 3. Does Council want the FY 2019 funding process to be undertaken using the recommended “hybrid model” and “targeted areas of need” outlined in this report?***

- I. Developing a Workable NOFA and Funding Process
  - a. How do we target areas of need in a way that is transparent and equitable while also maximizing limited resources for greater strategic impact?
  - b. How do we incorporate the CSC’s desire to incentivize and attract new agencies to provide needed services to Hayward residents?

- c. Should the “hybrid model” and “targeted areas of need” developed by the Committee and unanimously recommended CSC be implemented in FY 2019, possibly in alignment with and focused on Council’s Strategic Initiatives? What are the pros and cons of this approach?

## II. Maximizing Impacts

- a. Does the current funding process make the most of limited resources, i.e. does it “move the needle” in targeted areas of need?
- b. Should our focus be to maximize impacts for the low-income residents, rather than focusing on impacts to agencies seeking funding? Are they the same thing, or is there a distinction to be made?
- c. How do we move towards accountability and evidence-based outcomes?

The above outline is offered to provide Council additional context to the three main questions shown above in bold italic, and posed in the Next Steps section of this report.

## **FISCAL IMPACT**

Because the final adopted amounts of available funding in Fiscal Years 2019 to 2021 are not yet known, the recommendations outlined in this report were established using estimates of available funding. When the exact amount of available funding is determined in each Fiscal Year, the Council-approved allocations will be adjusted on a percentage basis as needed.

The Community Development Block Grant (CDBG) Program has a neutral impact on the City’s General Fund, as a portion of CDBG funds (up to 20%) may be used to pay for eligible Planning and Administration of the program, including NEPA environmental review, contracting, Labor Standards monitoring, lead-based paint compliance, procurement of contractors, site inspections, financial management, and federal reporting. However, as the City’s CDBG grant size is reduced, and as program income diminishes, the administrative cap is lowered accordingly, providing for fewer staff resources to administer the CDBG program, which remains an administratively complex and process-laden program despite the grant’s reduced size.

The Social Services and Arts & Music funding recommendations will be affected by Council’s budget deliberations as they relate to overall General Fund obligations. Council has complete discretion and authority to change, increase, or decrease the total amounts in these two categories at will, within the context of the General Fund budget deliberations. If the final amounts of Social Services or Arts/Music funding are reduced during budget deliberations, then individual grants would be adjusted on a percentage basis accordingly.

Because Social Services and Arts & Music grants are made using the General Fund, reducing or eliminating the grants would have a beneficial impact on the City’s budget. However, it is acknowledged that the majority of Social Services grants in particular support “safety net” services, (i.e., food, housing, support services for low-income people, and information and referral.) Reducing or eliminating grants would have a fiscal impact on those affected with

services also subsequently reduced or eliminated. There would also be an impact to the nonprofit agencies that have been doubly stressed by the economic downturn – those that have experienced both an increase in client demand and a decrease in public and private funding.

## **NEXT STEPS**

The Community Services Commission, with Council’s advice and consent, will solicit applications for Community Agency Funding in the next funding cycle, FY 2019, per Council’s directions and feedback. With that goal in mind, staff and the Community Services Commission request Council’s feedback and direction in response to the following questions:

1. Should the Community Agency Funding process be aligned with Council’s three Strategic Initiatives (Complete Streets, Complete Communities, and Tennyson Corridor)?
2. How does Council want the FY 2019 funding process to be aligned to maximize the impact of the limited available resources?
3. Does Council want the FY 2019 funding process to be undertaken using the recommended “hybrid model” and “targeted areas of need” outlined in this report?

Staff and the Community Services Commission will integrate Council’s direction to develop funding recommendations consistent with Council’s goals and areas of focus for the desired impact of the funds to benefit low-income Hayward residents in FY 2019 and going forward.

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